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THE IMPACT OF ACQUISITION ON FINANCIAL PERFORMANCE OF PT. ABC

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ABSTRACT

This study aimed to analyze the financial performance of the subsidiary company (PT ABC) before and after acquired by the holding company (PT XYZ). The examined ratios of the financial performance were profitability and capital structure for the period of 2010-2014. This study utilized the t test tool. In the first and second year after the acquisition, the result shows that with the existence of business synergy, there was a change in financial performance although it was insignificant. Furthermore, in the third year, there was absolutely no change; however, in the fourth year, there was an insignifant change. The implications of this research indicates the motive or objective of the shareholders (K-State-owned Enterprises) in assigning the holding company (XYZ) to restructure the financial performance and improve capital structure of its subsidiary company (PT ABC) by conducting a business synergy has not been reached.

Keywords: acquisition, financial performance, improved capital structure, business synergy and financial reports

ABSTRAK

Penelitian ini bertujuan menganalisis kinerja keuangan anak perusahaan (PT ABC) sebelum dan sesudah diakuisisi oleh perusahaan induk (PT XYZ). Rasio kinerja keuangan yang dianalisis adalah rasio profitabilitas dan rasio struktur modal periode tahun 2010-2014. Penelitian ini menggunakan alat uji t. Hasil dari penelitian ini pada tahun pertama dan tahun kedua sesudah akuisisi bahwa dengan sinergi bisnis ada perubahan kinerja keuangan, tetapi tidak signifikan, pada tahun ketiga sama sekali tidak ada perubahan, tahun keempat terdapat perubahan, tetapi tidak signifikan. Implikasi dari penelitian ini secara umum menunjukkan motif pemegang saham (K-BUMN) menugaskan perusahaan induk (PT XYZ) untuk menyehatkan kinerja keuangan dan perbaikan struktur modal anak perusahaan (PT ABC) dengan senergi bisinis belum tercapai.

Kata kunci: akuisisi, kinerja keuangan, perbaikan struktur modal, sinergi bisnis dan laporan keuangan

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INTRODUCTION

In K-SOE (K-State-owned Enterprises) Master Plan, as many as 138 current state-owned companies will be reduced into only 25 companies by 2025. The major policies related to SOE development include gradual and continuous restructuring, revitalization, and profitability. Restructuring is an effort performed to restructure SOEs aiming at improving their performance and enhancing their values as well; therefore, they can provide benefits in forms of dividends and taxes to the country.

Being effective from 1 January 2011, PT ABC, as a State-Owned Enterprise engages in main electrical service along with the other five fertilizer producing companies and one Construction Company which become the subsidiary companies of PT XYZ. According to Brigham et al. (2006), a merger can be categorized into four types i.e. 1) horizontal, 2) vertical, 3) congeneric,

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and 4) conglomerate types. PT XYZ acquired PT ABC to become its subsidiary through a conglomerate acquisition, for its main business before being acquired was electrical service. The acquisition process of PT ABC by PT XYZ is a part of the government policies, or in this case, K-SOEs.

A few years after the acquisition by PT XYZ with its business synergy and capital structure improvement, PT ABC is expected to have healthier financial performance (A) than its prior condition (BB), thus resulting in a better capital structure. Marzuki and Nurul (2013), Singh (2013), Masud (2015), Lai et al. (2015, Fatima and Shehzad (2014), Azahagalah and Sathishkumar (2014) state that mergers and the acquisition result in a positive impact after the acquisition; however, some studies conducted by Ahmed and Ahmed (2014), Aprilitia et al. (2013), Kanahalli and Jayaram (2014a), Pham (2014), Erdogan and Erdogan (2014), Kanahalli and Jayaram (2014b), Kusuma and Wigna (2003), Mahesh and Dakdikar (2012), Marimutu and Rahman (2008), Sinha et al. (2010) and Utami (2013) argue that mergers and the acquisition do not result in a positive impact after the acquisition. Subsequently, the impact of PT ABC acquisition becomes the highlight of this research.

The objectives of this study were: 1) to analyze financial performance and capital structure of PT ABC before and after the acquisition; and 2) to analyze the impact on its financial performance and capital structure before and after the acquisition. PT ABC financial statements of the fiscal year period of 2010-2014 were studied with these following scopes of the study 1) dimensional impact of the acquisition on PT ABC financial performance and capital structure, 2) profitability ratios of Return on Assets (ROA), Return on Equity (ROE), Profit Margin (PM), Equity Multiplier (EM) financial performance, Total Asset Turnover (TAT), and the Solvency ratio of Debt Asset ratio (DAR) and Debt to Equity ratio (DER), 3) secondary data derived from the company financial statements of 2010-2014, and 4) analysis method using secondary data analyzed by paired t-test.

METHODS

The research was conducted during the period of June to July 2015 by applying a quantitative approach. The secondary data derived from annual financial statements in the period of 2010–2014 were used in this approach. The technique of data collection was performed by collecting documentations of financial statements from the period 2010–2014.

This research was conducted by using a descriptive analysis approach and paired t-test statistics. The year the acquisition was announced was treated as year-0 (t = 0) with a 1 year observation period (t-1) prior to the acquisition and 1 year (t+1) to 4 years (t+4) after the acquisition occurred. The followings are the steps conducted in processing and analyzing the data:

a. Conducting an analysis of financial performance and capital structure of PT ABC before and after the acquisition by 1) Calculating the financial ratios for 1 year prior to the acquisition and four years after the acquisition i.e. ROA (X1), ROE (X2), DAR (X3), DER (X4), PM (X5), TAT (X6), and EM (X7). ROA ratio is the company capability in producing net income (EAT) by using its total assets, while ROE enables the company to generate net income by using all of its own capital. TAT is a ratio to which extent the company assets are used to generate sales. PM ratio is an ability to generate profits (EAT) of total sales generated. DAR ratio is the number of assets financed from the company debt. DER ratio is the amount of company debt compared with the equity. EM is a ratio to which extent the shareholders (the holding company) finance the company assets by the placement of shares/investment on subsidiary companies; 2) Determining the values of mean and variance of each variable; 3) Assessing the financial performance trends and capital structure of PT ABC before and after the acquisition occurred.

b. These data were utilized to analyze the impact of the acquisition on the financial performance and capital structure of PT ABC by comparing them before and after the occurrence of acquisition. These hypotheses were tested by using paired t-test. According Mattjik (2006), paired t-test functions to examine differences between A condition and B condition on the same object, with its hypothesis as follows:

$$H0: \mu 1 - \mu 2 = \delta 0 \quad \text{or} \quad H0: \mu D = \delta 0$$
$$H1: \mu 1 - \mu 2 \neq \delta 0 \quad\quad\quad H1: \mu D \neq \delta 0$$

The formula of the paired t-test is:

$$t_{count} = \frac{\bar{d} - \delta_0}{s / \sqrt{n}}$$

in which

- $\bar{d}$: average differences of the data before and after acquisition
- $\delta 0$: comparison value expected in this case is 0
- s : deviation standard of the differences of the data before and after acquisition
- n : number of observations

c. Elaborating managerial implications on the acquisition of the subsidiary company (PT ABC) by the holding company (XYZ).

PT ABC is included in the K-SOE restructuring program, resulting in its acquisition performed by PT XYZ. This research was conducted to analyze the impact of the acquisition on the financial performance of PT ABC by utilizing a quantitative and qualitative analysis before and after the acquisition, and also by adopting the ratios of profitability and capital structure. To see the differences between the financial performance before and after acquisition, the statistical test of paired t-test was utilized. The results revealed the managerial implications obtained from the perspectives of PT ABC, PT XYZ as the holding company, and shareholders.

RESULTS

Analysis on PT ABC Financial Performance and Modal Structure before and after the Acquisition

Table 1 below shows PT ABC asset growth. In the period of one year (2011) to four years (2014) after being acquired, its growth had an increase in average compared to that of 2010. The asset growth was caused by an increase in debt. In 2013, the negative capital (equity) was calculated up to 31 billion rupiahs causing an asset decline to occur in 2013.

Table 2 shows PT ABC financial ratios from year 1 (2011) to year 4 (2014) after the acquisition. On average, they have not shown better values compared to those in 2010. In 2013, the ratios of ROA, ROE, PM, DER and DAR were all negative. These were caused by the losses experienced by the company. The ratios of DER and EM, on average in four years after the acquisition, were also adequately high.

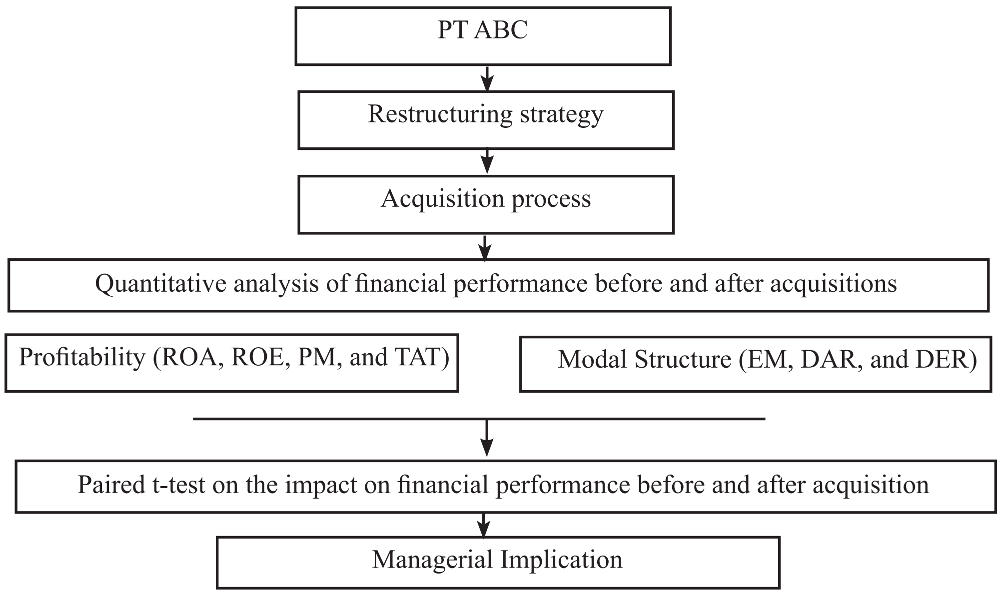

Figure 1. Research framework

Table 3 shows the growth in total sales of PT ABC in the period of 2011–2014 after the acquisition. On average, the sales increased if compared to those in 2010. However, the increase in sales has not been able to increase earnings after tax (EAT). Its average profit realization of the four years after the acquisition was only 1.7% of total sales. In 2013, the company eventually suffered loss in an amount of 65 billion rupiahs.

Table 4 shows the financial performance of PT ABC. The measurement being utilized is in accordance with the decree of the K-State-Owned Enterprise Number KEP-100/MBU/2002. In one year (2011) up to four years (2014) after the acquisition, there was a decline with less healthy predicates (BB) and (CCC) compared to the year of 2010. Almost all of the financial ratios indicated a decline. This led to a decrease in financial performance in 2013–2014, thus obtaining a value of CCC i.e. becoming less healthy.

Table 5 below shows the results of TIER (time interest earned ratio) ratio and receivable turnover. TIER ratio is the ability of the company to fulfill its fixed load in a form of interest expense to the profit earned. Receivable turnover is how long the company manages its product sales on credit. TIER ratio tended to decrease negatively in the year of 2013–2014, but the receivable turnover, four years after the acquisition (2011–2014) compared to the year of 2010, shows a declining value, especially in 2013-2014.

Table 1. PT ABC Asset Growth in the period of 2010–2014

Account name	2010		2011		2012		2013		2014	
	Billion	%	Billion	%	Billion	%	Billion	%	Billion	%
Current asset	373	94	553	96	627	97	438	93	571	77
Fixed asset	23	6	22	4	19	3	31	7	169	23
Debt	382	96.4	549	95.5	620	96.1	500	100	717	96.9
Equity	14	3.6	26	4.5	25	3.9	(31)	0	23	3.1
Total assets	396	100	575	100	646	100	469	100	740	100

Source: Balance sheet and profit and loss of PT ABC for the period of 2010–2014

Table 2. Financial Ratio of PT ABC in the period of 2010–2014 (%)

Ratio	2010	2011	2012	2013	2014
ROA	1.8	1.9	1.8	-10.8	7.4
ROE	50	44	46	-175	235
PM	0.9	1.3	1.1	-6.6	4.72
TAT	195	149	190	161	144
DAR	96	95	96	106	90
DER	2708	2115	2440	-1742	947
EM	2808	2215	2540	-1642	1046

Source: Balance Sheet and Profit and Loss of PT ABC in the Period of 2010–2014

Table 3. Development of profit and loss of PT ABC in the period of 2010–2014

Account name	2010		2011		2012		2013		2014	
	Billion	%	Billion	%	Billion	%	Billion	%	Billion	%
Sales	775	100	860	100	1.096	100	894	100	1.160	100
HPP	725	93.6	804	93.5	1.025	93.5	881	98.6	1.085	93.5
Gross profit	49	6.4	56	6.5	71	6.4	12	1.4	75	6.5
Operating expense	27	3.6	29	3.5	34	3.1	43	4.8	104	8.9
Bank interest	7.8	1	6.6	0.8	13.5	1.2	31	3.5	47	4.1
Non-business income	-3.2	-0.4	- 3.9	-0.5	-0.5	0.04	0.1	- 0.02	-0.2	-0.02
Profit before tax	10.7	1.4	15.5	1.8	23	2.2	-65	6.9	-76	6.6
Other income	-	-	-	-	-	-	-	-	122	10.5
Profit after tax	7.01	0.9	11.3	1.3	11.6	1.1	-65	7.3	54	4.7

Source: Balance Sheet and Profit and Loss of PT ABC in the Period of 2010–2014

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Table 4. Financial performance of PT ABC in the period of 2010–2014 according to K-SOE

Ratio	Year				
	2010	2011	2012	2013	2014
ROE (%)	50	44	46	-175	235%
ROI (%)	6.5	5.5	6.3	-6.4	-7.8
Cash ratio (%)	23	11.3	14.5	5.1	5.9
Current ratio (%)	118	119	111	100	86.1
Collection period (day)	54	51	49	90	90
Supply turnover (day)	21	18	22	22	21
TAT (%)	195	149	190	161	144
DAR (%)	96	95	96	106	90
Weight	44.4	42.6	42.9	23.6	22.2
Predicate	Less Healthy (BB)	Less Healthy (BB)	Less Healthy (BB)	Less Healthy (CCC)	Less Healthy (CCC)

Table 5. Ratios of TIER and receivable turnover

Ratio	Year				
	2010	2011	2012	2013	2014
Time infest earned ratio	137 %	231 %	175 %	-197 %	-160 %
Receivable turnover	6.7 x	7 x	7.4 x	4.2 x	3.8 x

One Year after The acquisition

The first year (2011) after PT ABC was acquired, the business synergy started to give an impact on its asset growth rising up to 31% compared to that in 2010 (Table 1). The total sales recorded were 860 billion, or up to 9.8% compared to those in 2010 (Table 3). Thus, the biggest contribution of fertilizer trade sales was at 65% followed by the electrical services of 19% and other services as much as 15%. Nonetheless, the company management has not been able to achieve an optimum level of earnings, recorded only 1.3% of total sales (Table 3).

Two Years after the acquisition

On the second year (2012) of the acquisition, the business synergy showed an impact on PT ABC asset growth rising up to 63% compared to that of in 2010 (Table 1). The total sales recorded were 1,096 billion rupiahs, or up to 41% compared to those in 2010 (Table 3). Thus, the biggest contribution of fertilizer trade sales was at 65% followed by the electrical services of 19% and other services as much as 15%. However, the company management has not been able to achieve an optimum level of earnings, recorded only 1.3% of total sales (Table 3). The development of asset growth, sales and income discussed above, measured by the specified measurement established by K-state-owned for two years after the acquisition, showed that the financial performance of PT ABC has not yet been improved with its less healthy predicate (BB) (Table 4).

Furthermore, in the second year after the acquisition, PT XYZ, as the holding company, continued to make efforts to improve the capital structure of PT ABC. Capital structure policy of PT ABC in 2012 still utilized its debt for the majority of its fund i.e. 96.1%, and its own capital reached only 3.9% (Table 1). This indicates that PT ABC still has a high level of risk due to the turnover ratio of 7.4 times. In addition, the average of 49 days receivable collection did not guarantee the availability of funds (Tables 4 and 5). PT XYZ, as the holding company, approved the subsidiary company (PT ABC) to choose the increased use of debt rather than to use its own capital. This finding is in line with the research conducted by Fadhilah (2011) on the impact of capital structure on the company financial performance, revealing that the company preferred the use of debt, rather than equity, to finance its company operation.

Three Years after The acquisition

In general, the third year (2011) after acquisition, the business synergy was influential on the decrease of asset growth with its total asset of 469 billion rupiahs or increased by 18.4% compared to that in 2010, yet it

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decreased by 37.7% compared to that in 2012 (Table 1). This decrease also occurred in the total sales recorded up to 894 billion rupiahs, or in other words, decreased by 22.5% compared to that in 2012 (Table 3). The biggest contribution of fixed sales of fertilizer trade was at 55% followed by 32% of electrical services, and 13 % of other revenues. The decrease in assets was caused by losses suffered by PT ABC reaching up to 65 billion rupiahs (Table 3), thus resulting in a negative equity.

PT XYZ, as the holding company, has not yet made an improvement on capital structure of its subsidiary company (PT ABC) in the third year after the acquisition. Capital structure policy of PT ABC in 2013 proceeded in using 100% of its debt fund (Table 1). This was due to negative equity as a result of losses reaching up to 65 billion rupiahs. PT ABC was at the significantly high risk in the third year of acquisition due to the turnover ratio of 4.2 times, and the average collection of 90 days of accounts (Table 4 and 5). PT XYZ, as the holding company, approved the subsidiary company (PT ABC) to choose the increased use of debt rather than the increase of its negative capital. This finding is in line with the research conducted by Fadhilah (2011) on the impact of capital structure on the company financial performance, revealing that the company preferred the use of debt rather than the equity to finance its company operation.

Four Years after The acquisition

In general, four years (2011) after the acquisition, the business synergy affected the asset growth with the total assets of 740 billion rupiahs, increasing by 58.8% compared to those in 2010, yet they only rose up to 36.6% compared to the increase in 2013 (Table 1). The increase was caused by the asset policy revaluation of 122 billion rupiahs. The total sales also had an increase, reaching up to 1.160 billion or equals to 22.9% compared to those in 2013 (Table 3). The largest contribution was fertilizer trade at 57%, followed by 31% of the electrical service income, and 12 % of other revenues reaching up to 12% of the total sales. Nevertheless, sales growth still generated profits before tax (EBIT), but the company still experienced a loss of 76 billion rupiahs. Consequently, the negative equity could transform into positive one with a value of 23 billion rupiahs (Table 1); however, the position of the negative TIER ratio was at -160% (Table 5).

PT XYZ, as the holding company, continued to make efforts for the improvement of capital structure of its subsidiary company (PT ABC) in the fourth year after the acquisition. Capital structure policy of PT ABC in 2013 proceeded in using 96.6% of debt fund (Table 1) and capital of 3.4% (Table 1). Subsequently, the company remained at high risk, for the turnover ratio was 3.8 times and the average collection of 90 days of receivable accounts did not guarantee the availability of funds (Table 5). It should be noted that the capital (equity) turned to be positive resulted from the impact of the management policy of PT ABC in the revaluation of all fixed assets, adjusted to market prices so that the company might obtain other incomes as much as 122 billion rupiahs.

This is in line with a research conducted by Khireta (2014) concerning the establishment of the company capital structure by PT Unilever Indonesia Tbk in 2010–2012 in which it tended to use its own capital rather than its long-term debt. The asset revaluation policy, implemented by the management of the subsidiary company (PT ABC) and approved by the holding company (XYZ), was not able to improve the performance of the company, for there was no direct impact on the increase in the company liquidity of PT ABC. In other words, it can be concluded that the company did not obtain cash in from the profits on the asset revaluation.

The impact on PT ABC Financial Performance and Capital Structure before and after the Acquisiton

One Year after the Acquisition

The results of the statistical test shown in Table 6 indicate that all of the parameters show significant differences at the level of <5% l, but only TAT parameter has no significant difference. In reference to the benefits that may result from the acquisition, they include: 1) increasing the efficiency, 2) expanding the portfolio of services offered which results in an increase in revenue for the company, and 3) strengthening the company competitiveness (David, 1998).

One year after the acquisition, there was a change in PT ABC financial performance even though the improvement in financial performance in reference to K-SOE was still within the predicate limit of less healthy or BB (Table 4). This is consistent with a research

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conducted by Azhagalah and Sathishkumar (2014) on the manufacturing sector in India, revealing that mergers and the acquisition have a significant impact on the financial performance of industries in India, particularly after the merger. PT XYZ, as the holding company, started to improve the capital structure of PT ABC in the first year after the acquisition. In reference to the theory, the followings are several factors needed to be considered in determining the capital structure policy (Sutrisno, 2013): 1) Suitability, 2) Earnings per share, 3) Riskiness, and based on the mentioned factors above, it can be concluded that the subsidiary company (PT ABC) still utilized debt funds in 2011 reaching up to 95.5% and its own capital reaching only up to 4.5% (Table 3). This indicates that the company was still at a high level of risk which was caused by the seven time turnover ratios, and the average collection of 51 day-receivable accounts which did not guarantee the availability of funds (Table 5). PT XYZ, as the holding company, approved the subsidiary (PT ABC) to choose the increased use of debt rather than its own capital. Subsequently, this finding is in line with the research conducted by Fadhilah (2011) on the impact of capital structure on the company financial performance, revealing that the company preferred the use of debt rather than the equity to finance its company operation.

Two Years after the Acquisition

The results of statistical test in Table 7 show that several parameters including PM, DAR, DER and EM indicated no significant differences in the level of α <5%. Meanwhile, several other parameters consisting of ROA, ROE and TAT indicated no significant differences.

Three Years after the Acquisition

The development of asset growth, sales and profit-loss discussed above for three years after the acquisition was measured by referring to the specified measurement established by K-State-Owned Enterprise. This showed that the financial performance of PT ABC was worsened by the value of 23.6 in a predicate of less healthy or CCC (Table 4). All of the parameters in Table 8 below show that there were no significant differences in the level of α > 10%. This is consistent with several previous studies conducted by Ahmed and Ahmed (2014) on banking sector in Pakistan, Kanahalli and Jayaram (2014a) on the sector of Tata Group Company in India, Erdogan and Erdogan (2014) on sector of public companies. In addition, the study of Marimutu and Rahman (2008) on outside the financial sector revealed that there were no significant differences in the financial performance before and after the mergers and acquisition.

Table 6. The results of the statistical test on the impact of 1 (one) year performance after the acquisition

Parameters	Mean	Std. Deviation	t-count	P-value	Conclusion
ROA_{t+1} - ROA_{t-1}	0.4	0.16	4.94	0.02**	significantly different
ROE_{t+1} - ROE_{t-1}	-4.42	2.23	-3.97	0.03**	significantly different
PM_{t+1} - PM_{t-1}	0.41	0.06	12.99	0.00***	significantly different
TAT_{t+1} - TAT_{t-1}	-4.71	27.85	-0.34	0.76	no difference
DAR_{t+1} - DAR_{t-1}	-1.87	0.65	-5.76	0.01**	significantly different
DER_{t+1} - DER_{t-1}	-1820.67	895.76	-4.07	0.03**	significantly different
EM_{t+1} - EM_{t-1}	-1820.68	895.8	-4.06	0.03**	significantly different

**= significant on alpha 5%, **= significant on alpha 1%, *= significant on alpha 10%

Table 7. The results of the statistical test of the impact on the 2 (two) year performance after the acquisition

Parameters	Mean	Std. Deviation	t-count	P-value	Conclusion
ROA_{t+2}- ROA_{t-1}	0.36	0.32	2.30	0.105	insignificantly different
ROE_{t+2}- ROE_{t-1}	2.59	7.70	0.67	0.549	insignificantly different
PM_{t+2} - PM_{t-1}	0.41	0.18	4.59	0.019**	significantly different
TAT_{t+2}- TAT_{t-1}	0.36	14.44	0.05	0.963	insignificantly different
DAR_{t+2}- DAR_{t-1}	-0.89	0.44	-4.09	0.026**	significantly different
DER_{t+2} - DER_{t-1}	-1163.18	716.53	-3.25	0.048**	significantly different
EM_{t+2} - EM_{t-1}	-1163.23	716.56	-3.25	0.048**	significantly different

**= significant on alpha 5%, **= significant on alpha 1%

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Four Years after the Acquisition

The fourth year after the acquisition is the continuation of deteriorating financial performance. In reference to the measure of financial performance prepared by KBUM, it was revealed that the financial performance in 2014 was 19.2 with the predicate of less healthy (CCC), the same situation as in 2013 (Table 4). Some of the parameters in Table 9 show that most of the results were significantly different at the level of α <5%, except for TAT and DAR which were insignificantly different at the level of α> 10%. This finding was in line with the research conducted by Azhagalah and Sathishkumar (2014) on the manufacturing sector in India. Meanwhile, Novaliza and Djajanti (2013) in their research on the public enterprise sector found that the mergers and acquisitions have significant impacts on the financial performance of industries in India, especially after the merger.

Managerial Implications

Based on the results obtained from this research, the managerial implications on PT XYZ perspectives as the shareholder (holding company) indicate that the business synergy with an annual average contribution of fertilizer trade as much as 65% of total sales resulted in no impacts on improvement of financial performance and capital structure of PT ABC. In the upcoming time, PT XYZ should establish PT ABC as the marketing and distribution company of fertilizers and shut down the electrical service and other failed operating businesses. Moreover, it should also improve DAR and DER ratios by increasing funds in the form of equity capital or by liquidity of PT ABC.

From the management perspective of PT ABC as a subsidiary, it has to focus on improving financial performance by increasing fertilizer sales, recalculating COGS (cost of goods sold), reducing operating expenses, terminating electricity business activities, and other operating business which cost the company. Furthermore, the turnover ratio should be remedied from 90 days to the ideal period of <60 days in 2013 and 2014 (Table 5). The management of PT ABC conducted an accountant engineering by asset revaluation in 2014 to improve its capital structure. This should also be criticized so that PT ABC can improve its financial performance and capital structure through liquidity.

Moreover, from the perspective of K-SOE as the shareholders, in the fourth year after the acquisition, PT XYZ has not managed to improve the financial performance of its subsidiary company (PT ABC) from previously less healthy (BB) to become healthy with the predicate of A. It also applies to the capital structure of PT ABC in which there has been no increase in the values of DAR and DER ratios.

Table 8. Table 8 The result of the statistical test of the impact on 3 (three) year performance after the acquisition

Parameters	Mean	Std. Deviation	t-count	P-value	Conclusion
ROA_{t+3}- ROA_{t-1}	2.26	15.20	0.30	0.79	insignificantly different
ROE_{t+3} - ROE_{t-1}	-48.38	164.66	-0.59	0.60	insignificantly different
PM_{t+3} - PM_{t-1}	-2.98	3.23	-1.84	0.16	insignificantly different
TAT_{t+3} - TAT_{t-1}	-9.32	24.44	-0.76	0.50	insignificantly different
DAR_{t+3}- DAR_{t-1}	1.99	5.31	0.75	0.51	insignificantly different
DER_{t+3} - DER_{t-1}	-632.46	4547.62	-0.28	0.80	insignificantly different
EM_{t+3} - EM_{t-1}	-632.54	4547.64	-0.28	0.80	insignificantly different

*= significant on alpha 10%

Table 9. The results of the statistical test of the impact on four-year performance after the acquisition

Parameters	Mean	Std. Deviation	t-count	P-value	Conclusion
ROA_{t+4} - ROA_{t-1}	-1.60	1.09	-2.93	0.06*	significantly different
ROE_{t+4} - ROE_{t-1}	-32.29	21.23	-3.04	0.06*	significantly different
PM_{t+4} - PM_{t-1}	-1.29	0.43	-6.01	0.01***	significantly different
TAT_{t+4} - TAT_{t-1}	-18.40	24.18	-1.52	0.23	insignificantly different
DAR_{t+4} - DAR_{t-1}	4.17	6.80	1.23	0.308	insignificantly different
DER_{t+4} - DER_{t-1}	-5237.81	2364.90	-4.43	0.021**	significantly different
EM_{t+4} - EM_{t-1}	-5237.89	2364.94	-4.43	0.021**	significantly different

**= significant on alpha 5%, **= significant on alpha 1%,   *= significant on alpha 10%

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There were some changes in the Financial Performance of PT ABC in one, two, and four years after the acquisition; however, in the third year the change tended to decline. This indicates that there were insignificant changes with a significant loss in the third year. In particular, the fourth year after the acquisition, the change was greatly influenced by asset revaluation policy rather than by the achievement in the business field.

The acquisition by adopting a business synergy has not been able to improve financial performance and capital structure of PT ABC. In the first and second year after the acquisition, the predicate of the company remained to be less healthy (BB). In the third and fourth year, the company's financial performance dropped to be less healthy with a CCC value. This indicates that this business synergy expected to improve financial performance and capital structure after the acquisition has not been achieved; moreover, PT ABC was financially in critical condition that was eligible to be liquidated because of their negative equity.

Recommendations

The impact of acquisition on the financial performance of PT ABC has not been optimally evaluated in this study due to the data obtained only during the four years after the acquisition. This study suggests further research to perform longer observation period. We recommend a minimum of five years, and long-tem studies are expected to thoroughly identify the impact on company financial performance after acquisition.

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